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SUBJECT: Situation in Cuba

1. Current Status: After approximately three months in office, Cuba's revolutionary government has assumed the appearance of an emerging dictatorship under Prime Minister Fidel Castro, although it does provide a greater potential for democracy than did the Batista regime in its later phases. Signs of disillusionment are beginning to appear, particularly among some business, commercial and political groups.

2. Castro's lack of administrative experience and his preoccupation with social and agrarian reform, have hindered government action to solve the many problems the revolution was intended to correct. Two years of revolution and a long history of corrupt administration have adversely affected all phases of Cuba's economy and have reduced its financial reserves. The country, however, has ample assets to carry on government functions. Negotiations are in progress with the International Monetary Fund for a \$25,000,000 loan to offset a shortage of foreign exchange reserves, and the government has instituted a program of austerity in its expenditures. Castro has also

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inaugurated a campaign against administrative corruption which seemingly is having some success. Certain moves by the new government, such as lowering rents and cutting utility rates, have been designed to appeal to the lower classes without regard for the effect on the economic structure. Some of Castro's public statements, such as a 17 March speech in which he called for a one-class society, have caused further apprehension. Nevertheless, he probably retains much of his great popularity with the lower classes.

3. The "war crime trials" have created criticism at home as well as abroad. Castro's intervention in the trial of several air force personnel, causing them to be retried and sentenced to long prison terms after they were acquitted of charges of genocide, and his decision to extend the death penalty to persons guilty of speculation have caused increased speculation that he is more interested in revenge than in justice.

4. The freedom of activity granted to Communists has permitted them to gain a foothold in the organized labor movement--although they have been removed from positions of leadership--and in the armed forces, and there is evidence that they now exert influence in other sectors of public life, including the press. The Popular Socialist

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(Communist) party operates openly and legally and is apparently taking steps to regain the prestige and influence which it enjoyed during the late 1940's. The actions of Ernesto "Che" Guevara, the controversial leftist Argentine rebel leader, have facilitated Communist activities. So far there has been no serious attempt to proscribe Communist activities, although some Catholic groups, including those active in organized labor, are working to limit Communist influence.

5. Castro's "campaign against dictatorship" has made Cuba a meeting ground for revolutionary exile groups which are engaged in plotting, propaganda campaigns, and probably some recruitment and training of invasion forces. So far, however, they have been held back by failure to achieve unity. Primary targets are the Dominican Republic, Haiti and Nicaragua. Castro's tendency to deal with Communist-influenced groups--particularly Dominican and Nicaraguan--has prevented an alliance with such antidictator liberals as Venezuelan President Betancourt and former Costa Rican President Figueres.

6. Prospects: The chances of Cuba achieving either political stability or a democratic government have been limited by the development of "one man rule" under Fidel Castro. Blinded by his own

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fanaticism and lack of experience, Castro has alienated several influential groups and created a basis for the development of serious opposition to his regime. For the present, however, the still overwhelming support of the lower classes precludes any open move against the government.

7. From a long range viewpoint, Cuba's economic situation is good. Barring serious labor trouble, this year's sugar crop is not expected to fall far short of the established quota, although income may suffer from low prices on the world market. Nevertheless, a good crop and strict economy in government expenditures should do much to alleviate the financial difficulties inherited from the Batista regime.

8. The government is not now Communist dominated or controlled, although the potential for Communist penetration exists. Castro has indicated that he will not allow the Communists to "steal the revolution" from him, an attitude which is likely to provide a greater hindrance to Communist aspirations than any anticommunist beliefs the Prime Minister may profess to hold.